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The Director of Central Intelligence  
Washington, D.C. 20505

National Intelligence Council

14 January 1985  
NIC #00178-85/1

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

FROM:

Assistant NIO for Economics

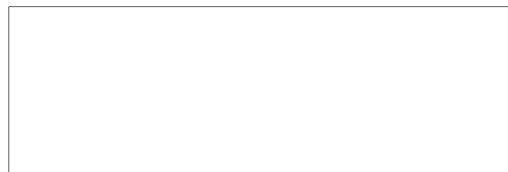
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SUBJECT: Olmer Trade Mission to the USSR

1. The confidential cable outlining details of Undersecretary Olmer's discussions with Deputy Foreign Trade Minister Sushkov in Moscow last week essentially confirms information given to the press and included in the package I sent you Friday. Both sides agreed to a list of agenda items to be discussed prior to or during a possible meeting of the US-USSR Joint Commercial Commission, and said they would study the prospects for holding such a meeting.

2. Olmer thought the Soviets were positive both about the prospects for expanding non-strategic trade and holding a JCC meeting. Because of Trade Minister Patolichev's health problems, Secretary Baldrige would have to travel to Moscow to hold a JCC session.

3. As you can see from the attached article, the read-out of the Japan-Soviet Joint Economic Committee meeting held in December confirms our analysis that any upturn in trade between the two countries will take place slowly.



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Attachments:  
As stated

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RUFHMK/AMEMBASSY HELSINKI 4505  
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RUEHVI/AMEMBASSY VIENNA 1288  
RUDKRB/AMEMBASSY BELGRADE 0781  
RUFHEB/AMEMBASSY BERLIN 7187  
RUDKAR/AMEMBASSY BUCHAREST 1513  
RUDKDA/AMEMBASSY BUDAPEST 0551  
RUDKRP/AMEMBASSY PRAGUE 1249  
RUDKSA/AMEMBASSY SOFIA 0501  
RUDKRW/AMEMBASSY WARSAW 2755  
RUFHMU/AMCONSUL MUNICH 9421  
RUEHBJ/AMEMBASSY BEIJING 7127  
RUEHKO/AMEMBASSY TOKYO 7693  
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E.O. 12356: DECL: OADR  
TAGS: ETRD, BEXP, ETTC, UR, US  
SUBJECT: U.S.-U.S.S.R. WORKING GROUP ON TRADE AND  
ECONOMIC COOPERATION: FIRM ON PRINCIPLES BUT

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## FORWARD-LOOKING ON NON-STRATEGIC TRADE

### 1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY. LED BY UNDER SECRETARY OF COMMERCE OLMER AND SOVIET DEPUTY FOREIGN TRADE MINISTER SUSHKOV. THE US-USSR WORKING GROUP OF EXPERTS MET IN MOSCOW JANUARY 8-9. THE SOVIET SIDE GENERALLY ACCEPTED THE U.S. VIEW THAT MAJOR OBSTACLES, WHICH HAD LITTLE OR NO PROSPECT OF BEING OVERCOME, WOULD AND SHOULD BE DISCUSSED, BUT THAT THE WORKING GROUP AND ANY SUBSEQUENT OFFICIAL US-SOVIET TRADE TALKS SHOULD FOCUS ON AREAS WHERE PROBLEMS COULD BE OVERCOME, AND UPON AREAS IN WHICH THERE ARE NO OBSTACLES. THE SOVIETS ALSO ACCEPTED THE U.S. CONCEPT THAT SPECIFIC STEPS TO FACILITATE TRADE SHOULD BE TAKEN BY BOTH SIDES. IF A US-USSR JOINT COMMERCIAL COMMISSION (JCC) MEETING, HEADED BY TRADE MINISTERS, WERE TO BE HELD. THE SOVIET SIDE SHOWED A STRONG INTEREST IN HOLDING A JCC MEETING, AGREED TO A LIST OF ISSUES TO BE RESOLVED BEFORE OR DISCUSSED AT SUCH A MEETING, BUT DO NOT APPEAR TO SEE ANY URGENCY IN HOLDING THE MEETING.

3. THE SOVIET SIDE RAISED A PREDICTABLE, LONG LIST OF OBSTACLES TO TRADE ON THE U.S. SIDE: LACK OF MOST-FAVORED-NATION TARIFF TREATMENT (MFN), EXPORT CONTROLS, DIRECT AIRLINE SERVICE, ACCESS OF SOVIET VESSELS TO U.S. PORTS, THE BAN ON SOVIET NICKEL, THE BAN ON SOVIET FURSKINS, AND CONTRACT SANCTITY. THE U.S. AGREED TO HAVE MARITIME TALKS, WHICH WOULD INCLUDE U.S. MARITIME INTERESTS AS WELL AS PORT ACCESS, SAID IT WOULD CONSULT CONGRESS ON FURS, AND AGAIN OFFERED TO REACH AN AGREEMENT ON NICKEL CERTIFICATION.

4. UNDERSECRETARY OLMER MADE A STRONG PRESENTATION ON THE IMPORTANCE OF HUMAN RIGHTS AND EMIGRATION TO THE OVERALL US-USSR RELATIONSHIP, AND THE U.S. SIDE MADE CLEAR THAT THERE WAS NO PROSPECT OF RELAXING LEGISLATIVE RESTRICTIONS ON MFN AND OFFICIAL CREDITS. THE DELEGATION ALSO POINTED OUT THAT THE U.S. WOULD MAINTAIN ITS MULTILATERAL OBLIGATIONS ON EXPORT CONTROLS ON STRATEGIC TRADE, BUT CLARIFIED A NUMBER OF AREAS FOR WHICH EXPORT LICENSES WERE NOT REQUIRED OR FOR WHICH LICENSES COULD BE ISSUED. ONE DAY LATER, THE U.S. OFFERED A SEMINAR TO 50 SOVIET OFFICIALS ON U.S. ANTI-DUMPING REGULATIONS AND PROCEDURES.

5. THE U.S. ALSO POINTED TO OBSTACLES ON THE SOVIET

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E.O. 12356: DECL: CADR  
TAGS: ETRD, BEXP, ETTG, UR, US  
SUBJECT: U.S.-U.S.S.R. WORKING GROUP ON TRADE AND

SIDE, CITING DIFFICULTIES AMERICAN FIRMS FACED IN  
BIDDING ON SOVIET PROJECTS, THE APPARENTLY ARBITRARY

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LOSS OF ACCREDITATION OF A U.S. FIRM, AND OTHER BUSINESS FACILITATION ISSUES. THE SOVIET SIDE INSISTED THAT IT DID NOT DISCRIMINATE AGAINST THE U.S., AND GAVE NO GROUND ON ITS HANDLING OF ACCREDITATION. THE SOVIET SIDE DID PROPOSE A NEW INITIATIVE TO HELP SMALL AND MEDIUM-SIZED FIRMS BY OFFERING TO PROVIDE 50 PERCENT OF THE COST OF A FACILITY TO SERVE THEM AND THUS AVOID THE HIGH COST OF AN OFFICE IN MOSCOW. THEY ALSO AGREED TO SUPPORT HOLDING U.S. FIRMS' SEMINARS IN THE U.S. COMMERCIAL OFFICE IN MOSCOW.

YM THE OVERALL TONE OF THE MEETING WAS NON-POLEMICAL AND CONSTRUCTIVE, DESPITE THE FIRM POSITION ON BOTH SIDES ON MATTERS THEY CONSIDERED ESSENTIAL. IN SOCIAL EVENTS HELD BY THE EMBASSY AND BY THE VISITING PRESIDENT OF COCA-COLA, SOVIET OFFICIALS AND U.S. BUSINESSMEN EXPRESSED OPTIMISM ABOUT THE WORKING GROUP'S GENERALLY POSITIVE RESULTS: BUSINESSMEN NOTED THAT SOVIET OFFICIALS' ATTITUDES TOWARD THEIR FIRMS HAD IMPROVED IN RECENT WEEKS.

7. IN REVIEWING THREE DAYS OF WORKING GROUP AND SEPARATE MEETINGS WITH RANKING SOVIET TRADE OFFICIALS, UNDER SECRETARY OLMER BELIEVES IT MOST STRIKING THAT EVEN THOUGH HE LAID OUT IN DETAIL U.S. POLICY TO RESTRAIN STRATEGIC TRADE, AND U.S. CONCERNS ON HUMAN RIGHTS AND EMIGRATION, THE SOVIETS NONETHELESS GAVE HIM A POSITIVE RESPONSE REGARDING THE POTENTIAL FOR EXPANDING PEACEFUL NONSTRATEGIC TRADE. CLEARLY THE SOVIETS PLACE CONSIDERABLE VALUE ON RENEWED EXPANSION OF TRADE WITH THE UNITED STATES, HOWEVER LIMITED THAT MIGHT HAVE TO BE, AND DESPITE PAST RHETORIC ON U.S. POLICY. END SUMMARY

#### SUSHKOV'S OPENING STATEMENT

8. DEPUTY MINISTER SUSHKOV OPENED INITIAL SESSION OF THE WORKING GROUP OF EXPERTS BY WELCOMING THE U.S. DELEGATION, INTRODUCING SOVIET PARTICIPANTS, AND MAKING A FORMAL PRESENTATION. HE NOTED THAT THE WORKING GROUP'S TASK WAS TO EXPLORE WHETHER THERE WAS A SUFFICIENT BASIS FOR THE RESUMPTION OF JOINT COMMERCIAL COMMISSION (JCC) ACTIVITIES. SUSHKOV WONDERED WHETHER USG UNDERSTOOD THE IMPORTANCE FOR BOTH U.S. EXPORTERS AND SOVIET BUYERS TO ENSURE THAT THERE WOULD NOT BE INTERRUPTIONS OF CONTRACTS IN THE FUTURE, PARTICULARLY LONG-TERM CONTRACTS.

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SUSHKOV SAID THAT AS A RESULT OF USG SANCTIONS SOVIET INTEREST IN PURCHASING AMERICAN PRODUCTS HAD DECREASED DRASTICALLY, FALLING FROM 2.8 BILLION RUBLES IN 1979 TO 1.5 BILLION IN 1980. SINCE 1980, TRADE HAD

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STAGNATED. AT THE PRESENT TIME, GRAIN CONSTITUTED BY FAR THE PRINCIPAL SOVIET IMPORT FROM THE U.S. IF, FOR SOME REASON, THESE PURCHASES WERE STOPPED, OR SUBSTANTIALLY REDUCED, THE "LAST THREAD" IN OUR ECONOMIC RELATIONSHIP WOULD BE BROKEN. IN AGRICULTURE, HE SAID, THE SITUATION WAS MUCH BETTER, AS A RESULT OF USG COMMITMENTS AS WELL AS LEGISLATION, A NEW EMBARGO IS VERY UNLIKELY. HOWEVER, IF THERE WERE EVER TO BE A NEW GRAIN EMBARGO, THE USSR COULD BUY GRAIN FROM OTHER SOURCES SUCH AS WESTERN EUROPE AND THE PRC.

OM SUSHKOV ACKNOWLEDGED THAT ALL COUNTRIES HAD THE RIGHT TO DECIDE WHAT THEY WISHED TO SELL AND PURCHASE HOWEVER, IT WAS CRITICAL FOR ANY FUTURE TRADING RELATIONSHIP BETWEEN US TO KNOW EXACTLY WHAT THE U.S. WAS PREPARED TO SELL TO THE USSR. IN PROVIDING SUCH A LIST IT WAS NECESSARY TO BE PRECISE. FOR NEW TECHNOLOGY WAS BEING CREATED EVERY DAY AND THE SOVIET UNION WAS INTERESTED IN PURCHASING WHOLE SETS OF EQUIPMENT AND NOT JUST SINGLE ITEMS. NOTING THE SUCCESS OF THE U.S.-USSR TRADE AND ECONOMIC COUNCIL'S (USTEC) 1983 AGRO-BUSINESS EXHIBIT, SUSHKOV SAID THAT HIS MINISTRY HAD BEEN WILLING TO CONSIDER COOPERATION WITH AMERICAN MANUFACTURERS OF AGRICULTURE AND FOOD PROCESSING EQUIPMENT BECAUSE HE WAS CERTAIN THAT SUCH CONTRACTS WOULD BE FULFILLED. THE USSR WAS INTERESTED IN ENCOURAGING AMERICAN PARTICIPATION IN PROJECTS TO INCREASE SOVIET FOOD STORAGE CAPACITY AND TO HELP MANAGE LARGE INDUSTRIAL PROJECTS. SUSHKOV COMMENTED THAT U.S. FIRMS WERE ALSO GOOD POTENTIAL PARTNERS FOR MAJOR SOVIET ENERGY DEVELOPMENT PROJECTS AND REFERRED TO USTEC'S PROPOSED EXHIBIT ON ENERGY AND ENVIRONMENTAL EQUIPMENT. IF THE USG WILL NOT ENDORSE THIS THEME, HE SAID HE WOULD RECOMMEND THAT PLANS FOR THIS EXHIBITION BE DROPPED AT THE MARCH MEETING OF USTEC EXECUTIVE COMMITTEE. HE STATED THAT THE USSR WOULD DEVELOP ITS ENERGY RESOURCES WHETHER OR NOT U.S. COMPANIES PARTICIPATED IN THIS DEVELOPMENT AND THAT THE ONLY RESULT OF U.S. NON-PARTICIPATION WOULD BE THE LOSS OF MAJOR EXPORT ORDERS

OPM CONCLUDING HIS OPENING STATEMENT, SUSHKOV NOTED THAT WHEN THE EITCA WAS EXTENDED FOR ANOTHER 10 YEARS IN JUNE 1984, THE NEED TO TAKE CONCRETE STEPS HAD BEEN EXPRESSED. IN HIS VIEW SUCH STEPS WERE THE IDENTIFICATION OF SPECIFIC AREAS WHERE TRADE WOULD BE

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POSSIBLE: THE AVAILABILITY OF MOST FAVORED NATION TREATMENT (MFN) AND EXPORT CREDITS; LIFTING OF THE BAN ON EXPORTS OF SOVIET NICKEL AND CERTAIN FURS; MODIFYING RESTRICTIONS ON PORT CALLS BY SOVIET MERCHANT VESSELS, ESPECIALLY GRAIN CARRIERS; RESTORATION OF AEROFLOT LANDING RIGHTS; SUPPORT FOR THE USTEC

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 OIL AND GAS EXHIBITION; AND THE RESUMPTION OF TRADE  
 PROMOTION ACTIVITIES. APOLOGIZING FOR A LONG  
 INTRODUCTION. SUSHKOV NOTED THAT IT HAD BEEN SIX  
 YEARS SINCE THE LAST U.S.-SOVIET BILATERAL ON ECONOMIC/  
 COMMERCIAL ISSUES AND THERE WAS MUCH TO DISCUSS.

OLMER'S OPENING STATEMENT  
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 QOM UNDER SECRETARY OLMER NOTED THAT U.S. DELEGATION'S  
 PRESENCE IN MOSCOW WAS NOT A RESULT OF PRESSURE FROM THE  
 U.S. BUSINESS COMMUNITY BUT WAS RATHER A PART OF PRESIDENT  
 REAGAN'S DESIRE TO BUILD A MORE CONSTRUCTIVE RELATIONSHIP  
 WITH THE USSR. U.S. DELEGATION HAD COME TO MOSCOW NOT  
 TO DWELL ON PAST PROBLEMS BUT TO SEEK SOLUTIONS. HE  
 EXPRESSED HOPE THAT THE WORKING GROUP OF EXPERTS MEETING  
 WOULD ENABLE US TO BEGIN TO TAKE CONCRETE STEPS TO PROMOTE  
 PEACEFUL TRADE. APPROXIMATELY ONE YEAR AGO THE PRESIDENT  
 HAD SET FORTH THREE BASIC PRINCIPLES CONCERNING OUR  
 BILATERAL RELATIONS. THESE WERE TO SEARCH FOR WAYS TO  
 REDUCE THE USE OF FORCE IN THE SETTLEMENT OF INTERNATIONAL  
 DISPUTES, TO REDUCE ARMAMENT STOCKPILING, AND TO ESTABLISH  
 A BETTER WORKING RELATIONSHIP BETWEEN OUR TWO COUNTRIES  
 ON BILATERAL QUESTIONS. OLMER EMPHASIZED THAT U.S.  
 POLICY VIS-A-VIS THE USSR WAS NOT ONE OF ECONOMIC  
 WARFARE NOR MERELY TOLERATING TRADE BETWEEN US. RATHER  
 WE SOUGHT TO ENCOURAGE PEACEFUL TRADE WITHIN THE OVERALL  
 CONTEXT OF OUR RELATIONSHIP AND U.S. DEL HAS COME TO SEE  
 WHAT STEPS COULD BE TAKEN TO ACCOMPLISH THIS. THE  
 PURPOSE OF OUR CURRENT SESSION WAS TO HELP DETERMINE IF WE  
 COULD HAVE A SUCCESSFUL U.S.-U.S.S.R. JOINT COMMERCIAL  
 COMMISSION (JCC) MEETING AND, IF SO, WHAT A JCC AGENDA  
 MIGHT BE. OLMER SAID. IT WAS NECESSARY FOR BOTH SIDES  
 TO AVOID UNREALISTIC EXPECTATIONS AND ENSURE THAT OUR  
 TRADE RELATIONS DEVELOPED IN A WAY THAT WAS CONSISTENT  
 WITH OTHER ASPECTS OF THE RELATIONSHIP. TRADE COULD  
 NOT MOVE FAR AHEAD OF OTHER ASPECTS OF THE RELATIONSHIP.  
 WE NEEDED TO AVOID AN APPROACH WHICH FOCUSED ONLY ON  
 OBSTACLES THAT COULD NOT BE OVERCOME IN THE NEAR TERM.  
 AND ABOVE ALL MUST NOT TAKE THE POSITION THAT IF WE  
 CANNOT SOLVE EVERYTHING, WE COULD NOT SOLVE ANYTHING.

-  
 QWM OLMER NOTED THAT U.S. TRADE WITH THE SOVIET UNION WAS  
 VERY SMALL, CONSIDERING THAT THE TWO COUNTRIES TOGETHER  
 ACCOUNTED FOR 40 PERCENT OF WORLD GNP. ALTHOUGH EXISTING

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TRADE LINKS HAD BEEN PRODUCTIVE, PARTICULARLY IN THE AREA  
 OF AGRICULTURAL COMMODITIES. THERE WAS CLEARLY ROOM FOR  
 IMPROVEMENT. WHILE SOME OBSTACLES TO OUR TRADE SEEMED  
 INSURMOUNTABLE, THERE WERE OTHERS THAT COULD EITHER  
 BE RESOLVED OR REDUCED CONSIDERABLY. EVEN MODEST  
 REDUCTIONS OF THESE OBSTACLES WOULD HELP OUR COMPANIES  
 TO DO BUSINESS WITH EACH OTHER. IN RECENT YEARS IT HAD

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BECOME DIFFICULT FOR AMERICAN FIRMS TO DO BUSINESS IN MOSCOW AS THEY HAD BEEN UNABLE TO OBTAIN INVITATIONS TO BID ON MAJOR PRODUCTS AND ORDERS. RECENTLY A U.S. COMPANY HAD LOST ITS ACCREDITATION AND THIS CASE HAD BEEN HANDLED IN A MANNER WHICH COULD ONLY CAST DOUBTS IN THE MINDS OF OTHER U.S. BUSINESSMEN REGARDING THE POSSIBILITY OF OBTAINING EQUITABLE TREATMENT IN THE USSR. THE UNDER SECRETARY HOPED THAT IT WOULD BE POSSIBLE TO RESOLVE THIS CASE IN A FAVORABLE WAY NOT ONLY FOR THE PARTICULAR COMPANY CONCERNED, BUT ALSO IN ORDER TO EASE THE DOUBTS OF OTHER FIRMS. AN ADDITIONAL OBSTACLE TO TRADE WAS THE REFUSAL OF SOVIET AUTHORITIES TO ALLOW THEIR TECHNICAL AND TRADE SPECIALISTS TO ATTEND EVENTS IN THE U.S. COMMERCIAL OFFICE (USCO). REGARDING TRADE EXPANSION PROSPECTS OLMER FELT THAT THERE WAS MUCH POTENTIAL WITHIN THE CURRENT FRAMEWORK AND HE INTENDED TO DISCUSS A NUMBER OF AREAS WHERE HE BELIEVED U.S. FIRMS WERE COMPETITIVE AND WHERE THERE WERE FEW IF ANY EXPORT CONTROL CONSTRAINTS. OLMER SUGGESTED USTEC'S LIST OF 15 PROJECT AREAS (SEE BELOW) SHOULD SERVE AS BASIS FOR IDENTIFYING PROJECTS BOTH SIDES WANTED TO PURSUE WITHIN PRESENT RULES AND POLICIES GOVERNING TRADE.

13. OLMER TOOK NOTE OF THE SOVIET VIEW THAT U.S. HAD CREATED THE TRADE OBSTACLES AND THEREFORE HAD TO TAKE THE ACTION TO REMOVE OBSTACLES. OLMER ADMONISHED THE SOVIET SIDE THAT THIS VIEW OF THE NEED FOR ONE-SIDED CONCESSIONS WAS UNREALISTIC. ACTION TO MOVE TRADE FORWARD WAS NEEDED FROM THE SOVIET SIDE AS WELL AS U.S. SIDE. U.S. WOULD NOT ACT WITHOUT VISIBLE SIGNALS OF SOVIET ACTION, SUCH AS PARTICIPATION IN CONFIDENCE-BUILDING MEASURES IN TRADE.

-  
OBSTACLES  
-

FROM THE SECOND DAY OF THE PLENARY SESSION OPENED WITH A DETAILED DISCUSSION OF OBSTACLES TO TRADE. SOVIET SIDE (ZINOVIEV) STATED THAT IN MOST CASES GOVERNMENT POLICIES WERE DESIGNED TO SUPPORT TRADE. HOWEVER, THE OPPOSITE IS THE CASE IN U.S.-SOVIET RELATIONS, WHERE THE U.S. HAD SACRIFICED TRADE BY USING IT AS A LEVER FOR POLITICAL OBJECTIVES. HE ACKNOWLEDGED THAT IT WAS POSSIBLE TO UNDERSTAND, IF NOT AGREE WITH, OBSTACLES WHICH WERE

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INTRODUCED FOR NATIONAL SECURITY REASONS. ON THE OTHER HAND IT WAS VERY DIFFICULT TO LIVE WITH THE EXPORT CONTROLS IMPOSED SOLELY FOR FOREIGN POLICY PURPOSES. THE ABSENCE OF MFN TREATMENT WAS A SERIOUS BARRIER TO THE EXPANSION OF SOVIET EXPORTS TO THE U.S. EXPORT CREDITS WERE NOT OF PRIMARY IMPORTANCE TO THE SOVIET SIDE, BUT WERE NEEDED BY U.S. COMPANIES TO ENABLE THEM TO RETAIN THEIR COMPETITIVE POSITION IN THE SOVIET MARKET.

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NEVERTHELESS, IT WAS NOT REALISTIC TO ASSUME THAT LONG STANDING OBSTACLES SUCH AS THESE COULD BE REMOVED ALL AT ONCE, ZINOVIEV SAID. POSITIVE STEPS WHICH MIGHT BE TAKEN IN MOVING TOWARD A JCC WOULD BE ACTION TO REMOVE THE IMPORT PROHIBITION ON CERTAIN SOVIET FURS, AN ELIMINATION OF RESTRICTIONS ON SOVIET NICKEL EXPORTS, REDUCTION OR ELIMINATION OF THE 14-DAY PRE-NOTIFICATION REQUIREMENT FOR SOVIET SHIP CALLS AT U.S. PORTS, AND MEASURES TO ENHANCE CONTRACT SANCTITY.

15. IN RESPONSE UNDER SECRETARY OLMER NOTED THAT MANY OBSTACLES TO TRADE CITED BY THE SOVIET SIDE HAD BEEN GENERATED BY THE U.S. IN RESPONSE TO SPECIFIC SOVIET POLICIES. ON THE OTHER HAND, OBSTACLES ERECTED BY THE SOVIETS SEEMED TO BE PART OF A SIMPLE DECISION TO AVOID DEALINGS WITH U.S. FIRMS. THE U.S. WAS NOT ALONE IN ITS PERCEPTION THAT TRADE IS INSEPARABLE FROM OTHER FOREIGN POLICY CONSIDERATIONS AND POINTED OUT THAT THE USSR, TOO, HAS CONNECTED TRADE AND POLITICAL RELATIONS, AS ILLUSTRATED BY ITS RELATIONSHIP WITH THE PEOPLE'S REPUBLIC OF CHINA IN RECENT YEARS.

#### BUSINESS FACILITATION

16. LISTING SPECIFIC OBSTACLES FACED BY U.S. COMPANIES, THE U.S. DELEGATION (BROUGHER) NOTED SOVIET LIMITS ON THE AMOUNT OF INFORMATION AVAILABLE TO U.S. COMPANIES AND ON THE POSSIBILITY FOR THEM TO BID ON PROJECTS HAD EFFECTIVELY EXCLUDED AMERICAN COMPANIES FROM COMPETING FOR MAJOR BUSINESS DEALS. HE NOTED THAT U.S. COMPANY REPRESENTATIVES SAY THAT SOVIET FOREIGN TRADE ORGANIZATIONS HAVE BEEN INSTRUCTED BY THE MINISTRY OF FOREIGN TRADE (MFT) TO AVOID U.S. PRODUCTS, EVEN IN SITUATIONS WHEN THEY WERE CLEARLY SUPERIOR TO THOSE OF COMPETITORS. U.S. FIRMS HAVE BEEN REMOVED FROM LISTS OF THOSE WHO ARE PERMITTED TO BID ON INDIVIDUAL PROJECTS. SOVIET PURCHASING OFFICIALS ARE PREVENTED FROM VISITING THE U.S. COMMERCIAL OFFICE (USCO) WHILE THEY ARE ALLOWED TO VISIT SIMILAR OFFICES OF OTHER WESTERN COUNTRIES. SINCE 1982, NO U.S. COMPANY HAS BEEN ABLE TO GET PERMISSION TO HOLD A TRADE SEMINAR IN USCO.

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AMERICAN COMPANIES HAVE BEEN DISCRIMINATED AGAINST IN ATTEMPTING TO OBTAIN SCARCE OFFICE SPACE AND HAVE BEEN UNABLE TO OBTAIN DIRECT DIAL TELEPHONE SERVICE, WHICH HAS BEEN PROVIDED TO MANY OTHER WESTERN COMPANIES.

17. U.S. DEL RAISED THE SPECIFIC CASE OF CALIFORNIA INTERNATIONAL TRADE (CIT), SAYING THE CASE WAS BEING HANDLED IN A WAY WHICH ONLY COULD HURT TRADE RELATIONS. IF THERE HAD BEEN PROBLEMS WITH THE FIRM'S ACTIVITIES OR PERSONNEL, MFT SHOULD HAVE

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INFORMED USG THROUGH EXISTING DIPLOMATIC CHANNELS. NO EVIDENCE THAT CIT HAD ACTUALLY VIOLATED SOVIET LAW HAS BEEN PROVIDED, AND IF IT TRANSPIRED THAT NO VIOLATION HAD OCCURRED, U.S. DEL HOPED THE COMPANY'S ACCREDITATION WOULD BE RESTORED.

18. MFT OFFICIAL PONIZOVTSSEV PROVIDED A DETAILED RESPONSE REGARDING CIT'S LOSS OF ACCREDITATION. HE ASSERTED THAT IF A FOREIGN COMPANY'S ACTIVITIES DO NOT MEET MFT REQUIREMENTS, THE MINISTRY HAS THE RIGHT TO LIFT ACCREDITATION. HE SAID CIT'S PRESIDENT SHOULD HAVE BEEN IMPRISONED FOR BRIBERY, BUT TO AVOID FORMAL LEGAL ACTION THE FIRM'S ACCREDITATION WAS SIMPLY WITHDRAWN. PONIZOVTSSEV CLAIMED THAT TWO SOVIET OFFICIALS HAD BEEN CONVICTED AND WERE NOW SERVING LONG PRISON SENTENCES. IN ADDITION ANTI-SOVIET LITERATURE HAD BEEN FOUND IN EQUIPMENT CIT HAD DELIVERED TO THE USSR. PONIZOVTSSEV ASSERTED THAT THE MFT HAD BEEN ACCOMMODATING IN THIS CASE, SUPPORTING VISA REQUESTS TO ALLOW A REPRESENTATIVE FROM CIT TO CLOSE THE COMPANY'S OFFICE. THE DECISION WITH RESPECT TO CIT DID NOT HAVE IMPLICATIONS FOR ANY OTHER U.S. COMPANIES AND SHOULD NOT BE CONSIDERED A PRECEDENT. OLMER ASKED IF WE WOULD BE ABLE TO EXAMINE EVIDENCE SO THAT WE MIGHT ASSURE OTHER U.S. COMPANIES THEY HAD NO CAUSE FOR CONCERN. SUSHKOV SAID HE COULD SEE NO NEED TO DIG DEEPER.

19. SUSHKOV EXPRESSED SURPRISE AT THE U.S. LIST OF OBSTACLES TO TRADE CLAIMING THAT THE MFT HAD ISSUED NO ORDERS ADVISING ITS FIRMS TO AVOID AMERICAN COMPANIES, BUT IN FACT SUPPORTED EQUAL TREATMENT OF U.S. FIRMS. SOVIET FTO'S, HE SAID, MADE SUCH DECISIONS ON THEIR OWN, BASED ON THEIR PERCEPTION OF THE OVERALL RELATIONSHIP WITH THE U.S. AND THEIR OWN TRADING EXPERIENCE. SUSHKOV ALSO CLAIMED HE HAD LEARNED OF SAN ON USCO SEMINARS ONLY YESTERDAY, AND ATTRIBUTED SOVIET POLICY ON CESSATION OF SEMINARS AT USCO TO COMMERCE'S DECISION TO STOP OFFICIAL SUPPORT FOR TRADE PROMOTION EVENTS IN THAT OFFICE. IF THE USG WOULD OFFICIALLY

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SPONSOR SHOWS IN USCO, THE MFT WOULD SUPPORT SUCH SHOWS.

SMALL BUSINESS

20. SUSHKOV SAID THAT SOVIETS BELIEVED THAT A JOINT INITIATIVE COULD BE UNDERTAKEN FOR SMALL AND MEDIUM-SIZED U.S. COMPANIES WHO WISHED TO TRADE WITH THE USSR BUT WHICH DO NOT GENERATE SUFFICIENT BUSINESS TO SET UP AN OFFICE IN MOSCOW. HE SUGGESTED THAT THE INITIATIVE COULD BE DEVELOPED WITH USTEC OR PERHAPS THE SOVIET CHAMBER OF COMMERCE AND INDUSTRY. SUSHKOV

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SAID THE SOVIETS WOULD PAY 50 PERCENT OF THE COST OF MAINTAINING A SMALL BUSINESS SUPPORT CENTER IN MOSCOW. LEAVING EXACT LOCATION AND FORM OF OFFICE OPEN. HE NOTED THAT SMALL AND MEDIUM-SIZED COMPANIES COULD HAVE A PARTICULARLY USEFUL ROLE IN AREAS SUCH AS LIGHT INDUSTRY, FOOD PROCESSING, CUSTOMER GOODS AND AGRI-BUSINESS. FURTHERMORE, SMALL FIRMS GENERALLY SIGN SMALLER CONTRACTS WHICH WOULD NOT REQUIRE STATE FINANCING OR GOSPLAN APPROVAL. OLMER EXPRESSED U.S. INTEREST IN THE SOVIET INITIATIVE AND SAID WE WOULD FOLLOW-UP ON THE IDEA.

MARITIME MATTERS

21. MINISTRY OF MERCHANT MARINE DEPARTMENT CHIEF AVERIN CRITICIZED THE EXISTING 14-DAY NOTIFICATION REQUIREMENT FOR SOVIET CALLS AT U.S. PORTS, SAYING THAT THIS CREATED EXPENSES FOR SHIP OWNERS, EXPORTERS AND IMPORTERS. IF SOVIET VESSELS REACHED THEIR DESTINATION AHEAD OF SCHEDULE THEY WERE REQUIRED TO WAIT OUTSIDE U.S. TERRITORIAL WATERS AT A COST OF FIVE THOUSAND DOLLARS TO SIX THOUSAND DOLLARS A DAY. IF THEY WERE ON TIME, AND THE CARGO WAS NOT READY, THEY COULD NOT DIVERT TO ANOTHER PORT. AVERIN WAS ALSO CRITICAL OF U.S. REQUIREMENTS THAT ALL TARIFFS AND SCHEDULES BE FILED WITH THE FEDERAL MARITIME COMMISSION SAYING IT WAS NOT REALISTIC TO FORCE SHIP OWNERS TO PROCLAIM SCHEDULES AND TARIFFS PRIOR TO OBTAINING CLEARANCE FOR PORT CALLS. SUSHKOV ADDED THAT THE CURRENT U.S. PORT NOTIFICATION REQUIREMENTS WERE DIVERTING SOVIET GRAIN PURCHASES TO OTHER COUNTRIES.

22. IN RESPONSE OLMER ANNOUNCED USG WILLINGNESS TO RESUME DISCUSSIONS ON A MARITIME AGREEMENT, COVERING PORT ACCESS AND OTHER MARITIME ISSUES. THE DISCUSSIONS SHOULD TAKE PLACE IN OUR TRADITIONAL MARITIME FRAMEWORK AND WOULD HAVE TO TAKE INTO ACCOUNT THE INTERESTS OF

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THE U.S. MARITIME INDUSTRY. SUSHKOV EAGERLY ACCEPTED U.S. WILLINGNESS TO RESUME MARITIME DISCUSSIONS, IN PRINCIPLE, AND SAID THAT SPECIALISTS SHOULD WORK OUT THE TIME AND VENUE FOR SUCH A MEETING.

FUR SKINS

23. OLMER SAID USG IS WILLING TO BEGIN CONSULTING WITH CONGRESS ON THE POSSIBILITIES OF REMOVING THE 1951 BAN ON IMPORTATION OF SEVEN VARIETIES OF SOVIET FURS (THE SO-CALLED SEVEN DEADLY SKINS), BUT CAUTIONED THAT CONGRESS WOULD ASK FOR EVIDENCE OF SOVIET WILLINGNESS TO IMPROVE PROSPECTS FOR NON-STRATEGIC U.S. SALES TO

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USSR. US DEL (TESKE) ADDED THAT SINCE WE HAVE NOT DISCUSSED THIS QUESTION WITH CONGRESS IN MANY YEARS, IT WAS NOT POSSIBLE TO FORESEE WHAT THE OUTCOME OF OUR APPROACH MIGHT BE. SUSHKOV RESPONDED THAT ALTHOUGH THE TRADE EFFECTS OF A REMOVAL OF THE FUR SKIN BAN WOULD BE MARGINAL -- PERHAPS AN INCREASE IN EXPORTS FROM 5 TO 15 MILLION DOLLARS -- THIS WAS AN IMPORTANT QUESTION OF PRINCIPLE. HE NOTED THAT THE CONGRESS HAD REMOVED THE BAN ON CHINESE EXPORTS OF "LOWER-QUALITY" FURS TO THE U.S.

AEROFLOT

WRM THE U.S. SIDE STRESSED THE NEED TO REACH AN UNDERSTANDING ON NORTH PACIFIC AIR SAFETY MEASURES SO THAT DISCUSSIONS ON OTHER ASPECTS OF OUR CIVIL AVIATION RELATIONSHIP MIGHT BE RESUMED BETWEEN OUR EXPERTS. THE SOVIET DECISION TO RESPOND POSITIVELY TO OUR PROPOSALS ON NORTH PACIFIC AIR SAFETY HAD BEEN A SIGNIFICANT POSITIVE STEP. ANY EVENTUAL AGREEMENT THAT WOULD PERMIT AEROFLOT TO RETURN TO THE U.S. WOULD HAVE TO CONTAIN A FULL BALANCE OF ECONOMIC CONCESSIONS FOR U.S. CARRIERS, WHICH HAD NOT BEEN THE CASE IN OUR EARLIER CIVIL AVIATION RELATIONSHIP. SUSHKOV NOTED HIS PARTICULAR INTEREST IN THE AEROFLOT QUESTION SINCE THE LACK OF SERVICE WAS A MAJOR PRACTICAL OBSTACLE TO THE NEGOTIATING TEAMS NEEDED TO BRING ABOUT AN EXPANSION OF TRADE. WHILE IT WAS NOT AN MFT RESPONSIBILITY TO HANDLE CIVIL AVIATION MATTERS, THE TERMINATION OF SOVIET SERVICE TO THE U.S. UNQUESTIONABLY LIMITED BUSINESS CONTACTS AND A RESOLUTION TO THIS QUESTION WOULD REMOVE AN IMPORTANT BARRIER TO IMPROVED COMMERCIAL RELATIONS.

ANTIDUMPING

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25. THE U.S. SIDE NOTED RECENT CHANGES IN U.S. ANTIDUMPING AND COUNTERVAILING DUTY PROCEDURES, POINTING OUT THAT SINCE 1983 ANY U.S. FIRM FILING A CASE AGAINST THE USSR MAY USE ONLY THE ANTIDUMPING STATUTE AND NOT THE CVD STATUTE AS WELL. WHILE EXPRESSING THE STANDARD SOVIET LINE THAT ANTIDUMPING ACTIONS WERE JUST ANOTHER FORM OF PROTECTIONISM, SUSHKOV WELCOMED THE INCLUSION OF IMPORT ADMINISTRATION DIRECTOR KAPLAN IN THE U.S. DELEGATION AND HIS FORTHCOMING SEMINAR ON THIS QUESTION. THE USSR HAD DIFFICULTY IN UNDERSTANDING FOREIGN ANTIDUMPING PROCEDURES. OLMER RESPONDED THAT THE USG UNDERSTOOD THAT FREQUENT DUMPING WAS NOT INTENTIONAL IN THE CASE OF NONMARKET ECONOMIES BUT RATHER RESULTED FROM THE DIFFERENCES IN OUR RESPECTIVE SYSTEMS.

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WYM ON JANUARY 10, AS AN ADDITION TO THE WORKING GROUP'S FORMAL SESSIONS, KAPLAN PRESENTED A SEMINAR ON U.S. ANTIDUMPING REGULATIONS AND PROCEDURES TO SOME 50 SOVIET OFFICIALS FROM A WIDE VARIETY OF MINISTRY AND FOREIGN TRADE ORGANIZATIONS. THE SOVIET OFFICIALS SAID THEY MUCH APPRECIATED THE SEMINAR, AND ASKED POINTED, WELL-INFORMED, AND NON-CONTROVERSIAL QUESTIONS. THE SEMINAR WAS THE FIRST OCCASION IN FIVE YEARS THAT A LARGE GROUP OF SOVIET OFFICIALS VISITED USCO.

#### NICKEL CERTIFICATION

WUM U.S. SIDE REFERRED TO TREASURY'S OFFER TO REACH AN AGREEMENT WHICH WOULD PERMIT REMOVAL OF THE BAN ON SOVIET NICKEL EXPORTS TO THE U.S. WE HAD TRIED TO DEVISE A SOLUTION WHICH WOULD MEET U.S. LEGAL REQUIREMENTS AND SOVIET PROCEDURAL REQUIREMENTS. BY HAVING A SOVIET FTO REACH AN AGREEMENT ON BEHALF OF MFT. THE SOVIET SIDE RESPONDED THAT UNDER SOVIET LAW ONLY THE CHAMBER OF COMMERCE HAD THE AUTHORITY TO ISSUE CERTIFICATES OF ORIGIN, AND CLAIMED IT WOULD THEREFORE BE NECESSARY TO CHANGE SOVIET LAW IN ORDER TO COMPLY WITH THE PROPOSAL ON CERTIFICATION WHICH THE U.S. HAD PUT FORTH. THE SOVIET SIDE DID NOT UNDERSTAND WHY CHAMBER OF COMMERCE CERTIFICATES WERE NOT SUFFICIENT.

#### TAX PROTOCOL

28. THE U.S. SIDE EXPRESSED OUR READINESS TO MOVE FORWARD ON THE BASIS OF THE DRAFT TAX PROTOCOL COMPLETED IN 1981 BUT NOTED THAT SOME CHANGES WOULD

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BE NECESSARY DUE TO AMENDMENTS IN THE U.S. TAX CODES. SUSHKOV POINTED OUT THAT THIS WAS A QUESTION TO BE RAISED WITH THE MINISTRY OF FINANCE, BUT HE WELCOMED THE U.S. INTENTION IN PRINCIPLE.  
 (COMMENT: IN ORDER TO MINIMIZE POSSIBLE SOVIET BUREAUCRATIC CONFUSION, IT WOULD BE USEFUL IF THE DEPARTMENT COULD GIVE THIS EMBASSY A WRITTEN PROPOSAL FOR UPDATING THE 1981 PROTOCOL, WHICH WE COULD GIVE TO THE MINISTRY OF FINANCE DIRECTLY. END COMMENT.)

#### HUMAN RIGHTS AND EMIGRATION

29. THE U.S. DELEGATION MADE A LENGTHY PRESENTATION ON HUMAN RIGHTS, LED BY UNDER SECRETARY OLMER, WHO STRESSED THAT SUCH A DISCUSSION WAS NECESSARY TO AVOID ANY MISUNDERSTANDING. HE BEGAN BY STATING THAT OUR POLICY IS NOT DESIGNED TO POINT THE FINGER AT

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THE USSR; IT IS NOT SIMPLY CONCERNED WITH SEEKING FREEDOM OF EMIGRATION FOR JEWS; IT IS NOT DESIGNED TO SATISFY A SMALL POLITICAL CONSTITUENCY, AND IT IS NOT CAUSED BY A SMALL GROUP OF PEOPLE CONTROLLING U.S. POLICY. OUR POLICY IS EMBEDDED IN A LAW PASSED TEN YEARS AGO, WHICH IS STRONGLY SUPPORTED BY THE ADMINISTRATION AND BY THE VAST NUMBER OF AMERICANS. THE UNDER SECRETARY SAID HE WAS DISTURBED WHEN AN OCCASIONAL BUSINESSMAN VISITING THE SOVIET UNION SUGGESTS THAT OUR POLICIES ON EMIGRATION AND HUMAN RIGHTS ARE NOT SUPPORTED BY THE MAJORITY OF THE AMERICAN PEOPLE. THEY DO A DISSERVICE TO THEMSELVES AS WELL AS TO AMERICAN-SOVIET UNDERSTANDING.

EPM IN PREPARING FOR THE TRIP, THE UNDER SECRETARY SAID HE CONSULTED WITH A NUMBER OF SENATORS AND CONGRESSMEN, ALL OF WHOM, IN PRIVATE CONVERSATIONS, MADE IT CLEAR THAT THEY HAD NO HIGHER PRIORITY THAN IMPROVEMENT IN RELATIONS BETWEEN THE UNITED STATES AND THE SOVIET UNION. AT THE SAME TIME, THESE INDIVIDUALS BELIEVED THAT THE MOST IMPORTANT STEP THE SOVIET GOVERNMENT COULD TAKE TO IMPROVE OUR BILATERAL RELATIONSHIP WOULD BE A MODIFICATION OF ITS EMIGRATION AND HUMAN RIGHTS POLICIES.

EQM THE U.S. SIDE EMPHASIZED THAT THE CLEAR CONCERN OF THE AMERICAN PEOPLE WHICH HAD GIVEN RISE TO THE JACKSON-VANIK AND STEVENSON AMENDMENTS HAS NOT DIMINISHED, IN CONGRESS, IN THE ADMINISTRATION, OR AMONG THE PUBLIC. WE DO NOT ENVISION ANY CHANGE IN THE LEGISLATION. US DEL NOTED THAT SOVIET EMIGRATION IS AT THE LOWEST POINT SINCE THE 1960'S AND URGED

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THE SOVIET UNION TO ADOPT A MORE FORTHCOMING ATTITUDE ON HUMAN RIGHTS AND EMIGRATION CONSISTENT WITH SOVIET OBLIGATIONS UNDER THE HELSINKI AGREEMENT.

32. SUSHKOV STATED THAT IN RAISING THE QUESTION OF MFN AND CREDITS, THE SOVIET SIDE HAD NOT MEANT TO DISCUSS THE CAUSES OF THE U.S. LEGISLATION, SINCE THESE ARE WELL KNOWN. HE REMARKED THAT HE HAD TALKED PERSONALLY TO SENATOR JACKSON, REPRESENTATIVE VANIK, AND SENATOR STEVENSON. IN THE SOVIET VIEW, THE OPINION OF SOME IN THE U.S. ON THE JACKSON-VANIK AMENDMENT HAD CHANGED. VANIK AND STEVENSON THEMSELVES HAD BECOME CONVINCED THAT THE AMENDMENTS WERE INEFFECTIVE. SUSHKOV SAID HE DID NOT KNOW WHETHER THIS IS A MAJORITY OR A MINORITY, BUT HE STATED THAT MANY CONSIDER THE LEGISLATION A MISTAKE. SUSHKOV SAID THAT THE U.S. DELEGATION HAD NOTED CORRECTLY THAT EMIGRATION WAS AT A LOW POINT. HE ASKED RHETORICALLY WHETHER THE LEGISLATION HAD RESOLVED THE QUESTION. EARLIER, EMIGRATION HAD BEEN AT A LEVEL OF 30,000.

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AND NOW HAD DECREASED RATHER THAN INCREASED. HE ASSERTED THAT IT IS DIFFICULT TO SAY WHAT THE REASONS ARE. THE SUBJECT OF MFN WAS RAISED BY THE SOVIETS BECAUSE THE BUSINESS COMMUNITY SAID THAT THE LEGISLATION HAD PASSED ITS TIME. APPARENTLY, THIS WAS NOT SO. SUSHKOV SAID IT IS CLEAR FROM THE STATEMENTS AT THE MEETING THAT THERE WAS NO PROSPECT FOR CHANGE. HE RESTATED THE SOVIET VIEW THAT SUCH CONCERNS AS HUMAN RIGHTS SHOULD BE VOICED IN OTHER FORUMS AND SHOULD NOT BE A PART OF TRADE DISCUSSIONS.

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 PROSPECTS FOR TRADE  
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33. THE UNDER SECRETARY POINTED OUT THAT THERE ARE U.S.-SOVIET COMMERCIAL PROJECTS THAT HAVE BEEN APPROVED, LICENSED, AND WHERE ASSURANCES HAVE BEEN GIVEN -- BUT THE SOVIET GOVERNMENT HAD NOT MOVED FORWARD ON THEM. HE REFERRED TO THE TENNECO COMBINE PROJECT, THE HORN AND BOTTOM CEMENT PLANT, AND OTHERS. NOTING THAT BOTH THE AMERICAN AND SOVIET SIDES WERE FAMILIAR WITH THE DETAILS.

34. ASSISTANT SECRETARY ARCHEY PROVIDED A DETAILED DISCUSSION OF A LIST OF POSSIBLE AREAS FOR ECONOMIC COOPERATION WHICH HAD BEEN PROVIDED TO BOTH THE U.S. AND SOVIET SIDES BY THE US-USSR TRADE AND ECONOMIC COUNCIL. HE DESCRIBED WHERE PRODUCTS COULD BE EXPORTED WITHOUT A LICENSE AND WHERE LICENSES WERE REQUIRED BUT THERE WAS A LIKELIHOOD THAT THEY WOULD

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BE GRANTED. THE 15 AREAS ARE AGRIBUSINESS, SERVICE INDUSTRIES, ENERGY, PULP AND PAPER, POLLUTION CONTROL, FISHING, TEXTILES, LAND RECLAMATION, MATERIALS HANDLING, BIOTECHNOLOGY, TRANSPORTATION, PETROCHEMICALS, CHEMICALS, CONSUMER GOODS, AND MEDICAL EQUIPMENT. ARCHEY ALSO DESCRIBED IN SOME DETAIL THE CHANGES IN EXPORT CONTROL REGULATIONS IMPLEMENTED JANUARY 1, 1985 RELATING TO PROCESS CONTROLLERS.

35. SUSHKOV SAID THAT THE TWO SIDES COULD CONSIDER AND COMPILE SUCH A LIST OF POSSIBLE PROJECTS, NOTING THAT IT WOULD BE DESIRABLE TO HAVE THE LIST NARROWED DOWN BY BOTH SIDES TO SEE WHERE WE BOTH AGREED. SUCH AGREEMENT COULD SERVE AS THE BASIS FOR DETAILED PROJECT DISCUSSIONS.

36. REGARDING THE TENNECO (FORMERLY INTERNATIONAL HARVESTER) PROJECT, SUSHKOV NOTED THAT THE AMERICAN SIDE HAD FULFILLED ALL SOVIET REQUESTS. DURING DELAYS IN THE NEGOTIATIONS, THE SOVIETS HAD GONE AHEAD WITH PLANS TO PRODUCE THEIR OWN COMBINE. THE SOVIETS.

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HOWEVER, HAD RETURNED TO THE QUESTION OF PURCHASING THE TENNECO LICENSE. ON CEMENT, SUSHKOV SAID THAT THE PROPOSAL TO CONVERT CEMENT PLANTS FROM WET TO DRY PROCESS PRESENTED A GREAT DEAL OF INTEREST. THE SOVIETS HAD RECEIVED PROPOSALS FROM OTHER WESTERN COUNTRIES AS WELL AS AMERICAN FIRMS. HE CLAIMED THAT COMPETITORS' PRICES WERE "TWICE AS LOW" AND INCLUDED FINANCING ON ACCEPTABLE TERMS. HOWEVER, THE SOVIETS ARE NOT STOPPING DISCUSSIONS, BECAUSE PROPOSALS COULD BE CHANGED.

37. AS A PARTIAL RESPONSE TO THE EARLIER U.S. STATEMENT ON IMPORTANCE OF ENDING DISCRIMINATORY TREATMENT OF AMERICAN FIRMS, SUSHKOV STATED THAT THE MINISTRY OF FOREIGN TRADE WOULD ASK FOREIGN TRADE ORGANIZATIONS TO SEND THEIR INQUIRIES FOR PROPOSALS TO MEMBERS OF THE TRADE AND ECONOMIC COUNCIL.

**JOINT COMMERCIAL COMMISSION**

38. SUSHKOV EXPRESSED SATISFACTION WITH THE DISCUSSIONS. THE DECISION OF THE U.S. AND THE SOVIET UNION TO EXTEND THE LONG-TERM ECONOMIC COOPERATION AGREEMENT WAS THE CORRECT ONE. A MEETING OF THE JOINT COMMERCIAL COMMISSION WOULD PROVIDE AN OPPORTUNITY FOR THE MINISTERS TO CONTINUE DISCUSSIONS OF THESE ISSUES. IF ACCEPTABLE, THE SOVIET UNION WOULD LIKE TO INVITE THE U.S.

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DELEGATION TO THE SOVIET UNION. AS A RESULT OF HIS OPERATION AND ILLNESS, MINISTER PATOLICHEV IS UNABLE TO TRAVEL TO THE U.S.

IN THE EVENT THAT IT IS DECIDED TO CONVENE THE JOINT COMMERCIAL COMMISSION, UNDER SECRETARY OLMER LAID OUT THE FOLLOWING POINTS AS ONES THE U.S. WANTED SOVIET AGREEMENT ON AT OR BEFORE A JCC.

(1) A JOINT STATEMENT IN SUPPORT OF MUTUALLY BENEFICIAL TRADE;

(2) ASSURANCES OF SOVIET INTENTION TO PROVIDE BID INVITATIONS TO U.S. FIRMS;

(3) ASSURANCES FROM THE FOREIGN TRADE MINISTRY THAT FOREIGN TRADE ORGANIZATIONS WILL CONSIDER OFFERS OF U.S. FIRMS EQUALLY WITH OTHER SUPPLIERS ON A COMPETITIVE BASIS;

(4) AGREEMENT TO PROCEED ON SEVERAL PROJECTS OF MUTUAL INTEREST, SUCH AS THE TENNECO COMBINE PLANT AND ABBOTT BABY FOOD PLANTS;

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(5) AGREEMENT TO CONTINUE STUDYING PROPOSALS FOR COOPERATION IN THE 15 AREAS IDENTIFIED BY THE U.S.-U.S.S.R. TRADE AND ECONOMIC COUNCIL;

(6) ANNOUNCEMENT OF SOVIET SUPPORT FOR SEMINARS AND OTHER COMMERCIAL FUNCTIONS SPONSORED BY THE U.S. COMMERCIAL OFFICE.

FROM THE SOVIET DELEGATION STATED EIGHT QUESTIONS THEY WANTED TO SEE ADDRESSED BEFORE OR AT A JCC

(1) ABROGATION OF THE PROHIBITION ON 7 TYPES OF FUR;

(2) RENEWAL OF AEROFLOT FLIGHTS TO THE USA;

(3) CONCLUSION OF A NEW TAX PROTOCOL;

(4) ABROGATION OF THE PROHIBITION ON IMPORT FROM THE USSR OF NICKEL BEARING PRODUCTS;

(5) ANTIDUMPING LEGISLATION, IN PARTICULAR, CONCERNING POTASSIUM CHLORIDE;

(6) RELIABILITY OF SUPPLIERS (SANCTITY OF CONTRACTS);

(7) MOST FAVOURED TARIFF TREATMENT; AND

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(8) READINESS OF THE USA TO RENEW NEGOTIATIONS ON MARITIME SHIPPING.

RPM BOTH SIDES ALSO AGREED THAT IF A JCC WERE TO BE HELD, ITS AGENDA WOULD BE:

(1) STATUS AND PROSPECTS OF BILATERAL TRADE;

(2) RESULTS OF THE WORKING GROUP OF EXPERTS;

(3) OPPORTUNITIES FOR EXPANSION OF TRADE, INCLUDING PROJECTS;

(4) BUSINESS FACILITATION.

41. UNDER SECRETARY OLMER CONCLUDED THE MEETING BY STATING THE U.S. SATISFACTION WITH THE TONE AND SUBSTANCE OF THE MEETINGS, AND REMINDED THE SOVIET DEL THAT U.S. DECISION ON A JCC WOULD NOT BE MADE UNTIL AFTER HE RETURNED TO WASHINGTON. HE EXPRESSED OPTIMISM FOR A FAVORABLE DECISION.

42. SUSHKOV ASKED THAT AS SOON AS THE U.S. SIDE DECIDES ON THE JCC, THAT IT PROVIDE A DRAFT JOINT STATEMENT. HE ALSO ASKED THAT THE U.S. SIDE PROVIDE A WRITTEN VERSION

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OF ITS VIEWS ON THE EXPORT LICENSE IMPLICATIONS OF  
USTEC'S LIST OF 15 POSSIBLE AREAS FOR COOPERATION.  
SUSHKOV SAID THE SOVIET FINAL DECISION ON A JCC WOULD  
ALSO BE MADE SHORTLY. HE EXPRESSED HIS OPTIMISM AS  
WELL. (SUMMARY OF THIS CABLE HAS BEEN CLEARED IN  
SUBSTANCE WITH OLMER.) HARTMAN

END OF MESSAGE

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TO RUEHC/SECSTATE WASHDC 5835  
INFO RUEHMO/AMEMBASSY MOSCOW 9033  
RUEHLD/AMEMBASSY LONDON 2618  
RUFHFR/AMEMBASSY PARIS 5626  
RUFHOL/AMEMBASSY BONN 0223  
RUFHNA/USMISSION USNATO 2396  
BT  
C O N F I D E N T I A L TOKYO 00570

C O R R E C T E D C O P Y O F 6145593 (PARA 1 ADDED)

E.O. 12356: DECL: OADR  
TAGS: ETRD, EEW, UR, JA  
SUBJECT: JAPAN-SOVIET GOVERNMENT TRADE TALKS

REF: A) 84 TOKYO 19515  
- B) STATE 2431  
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1. (LOU) JAPAN-SOVIET TRADE CONSULTATIONS WILL BE HELD IN TOKYO ON JANUARY 22 AND 23, FOLLOWING UP ON FOREIGN MINISTER ABE'S APPROACH TO FOREIGN MINISTER GROMYKO IN SEPTEMBER AT THE GENERAL ASSEMBLY (REFTEL). THESE TALKS ARE CONSIDERED TO BE A RESUMPTION OF ANNUAL GOVERNMENT TO GOVERNMENT TRADE TALKS WHICH WERE SUSPENDED IN 1982 AS A SANCTION AGAINST SOVIET INTERVENTION IN POLAND. (GOVERNMENT TALKS ON TRADE AND ECONOMIC MATTERS HELD IN MOSCOW IN 1983 WERE OUTSIDE THE FRAMEWORK OF ANNUAL TALKS.)

2. (LOU) THE SOVIET DELEGATION WILL BE LED BY FOREIGN TRADE DIRECTOR GENERAL KISEROV; THE JAPANESE DELEGATION HEAD WILL BE MOFA EUROPEAN BUREAU DIRECTOR GENERAL NISHIYAMA. IN ADDITION TO THE FOREIGN MINISTRY, OFFICIALS OF MITI, MINISTRY OF FINANCE AND MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES WILL PARTICIPATE.

3. (C) FOREIGN MINISTRY OFFICIALS EXPECT THAT EACH SIDE WILL PRESENT REPORTS ON THE ECONOMIC SITUATION IN EACH COUNTRY, WITH AN EMPHASIS ON ENERGY, NATURAL RESOURCES AND FOREIGN TRADE PROSPECTS. GIVEN THE GOV'S STRONG POSITION AGAINST A LONG TERM ECONOMIC COOPERATION AGREEMENT, THE JAPANESE BELIEVE THAT SOVIET PRESSURE FOR SUCH AN AGREEMENT WILL BE MUTED, THOUGH THE PROPOSAL WILL PROBABLY BE MADE. COMMENT: THE JAPANESE SEE THESE

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TALKS AS PART OF EFFORTS TO EASE TENSIONS BETWEEN THE TWO COUNTRIES THROUGH A VARIETY OF CONTACTS. MOFA EXPECTATIONS FOR THE MEETING SEEM QUITE SIMILAR TO THE AIMS OF THE USG IN THE JANUARY 8-10 TALKS IN MOSCOW (REFTEL B): TO TALK, TO EXPLORE AREAS OF INTEREST. REFLECTING STATEMENTS IN REF B, THE JAPANESE DO NOT EXPECT THAT TRADE WILL RISE SHARPLY DUE TO THE MEETING, BUT BELIEVE THAT THE GOVERNMENT CONTACTS WILL HAVE A POSITIVE IMPACT ON THE OVERALL ECONOMIC RELATIONSHIP.

4. (U) ACCORDING TO THE LATEST MOF STATISTICS, JAPAN'S 11 MONTH TOTAL 2 WAY TRADE WITH THE SOVIET UNION WAS 3.54 BILLION DOLLARS, A 10.4 PERCENT DECREASE FROM THE SAME PERIOD IN 1983. EXPORTS DROPPED 13.2 PERCENT TO 2.2 BILLION DOLLARS. FOR 1984, IT IS EXPECTED THAT TWO WAY TRADE WILL BE ABOUT 3.8 BILLION DOLLARS, A 10 PERCENT DROP FROM 1983, WHICH FOLLOWED A 23 PERCENT DROP BETWEEN 1983 AND 1982.

MANSFIELD  
END OF MESSAGE

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